

# The nature of the informal food sector in Cape Town's food system

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Conference on Urbanization, Food Systems and Sustainability in the Global South



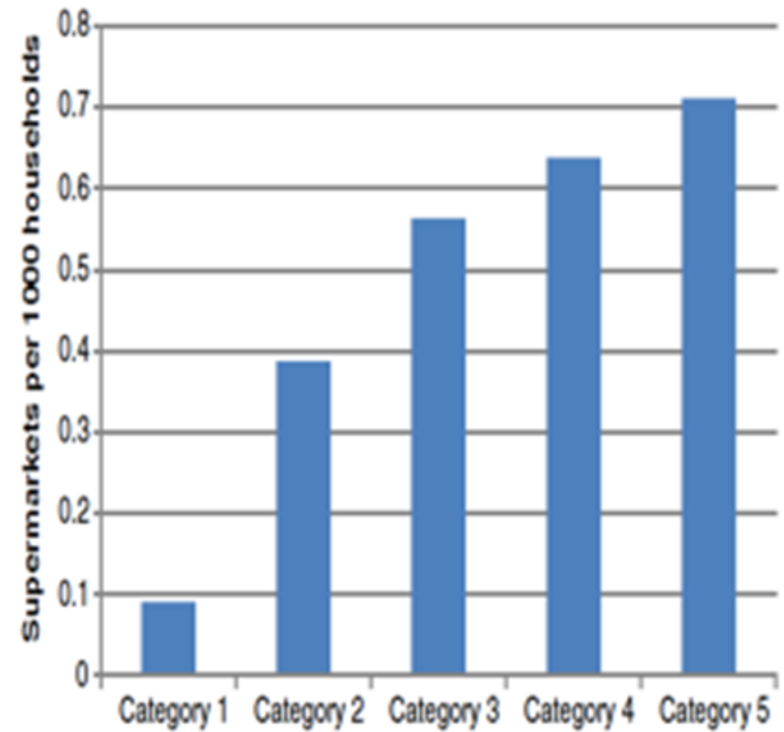
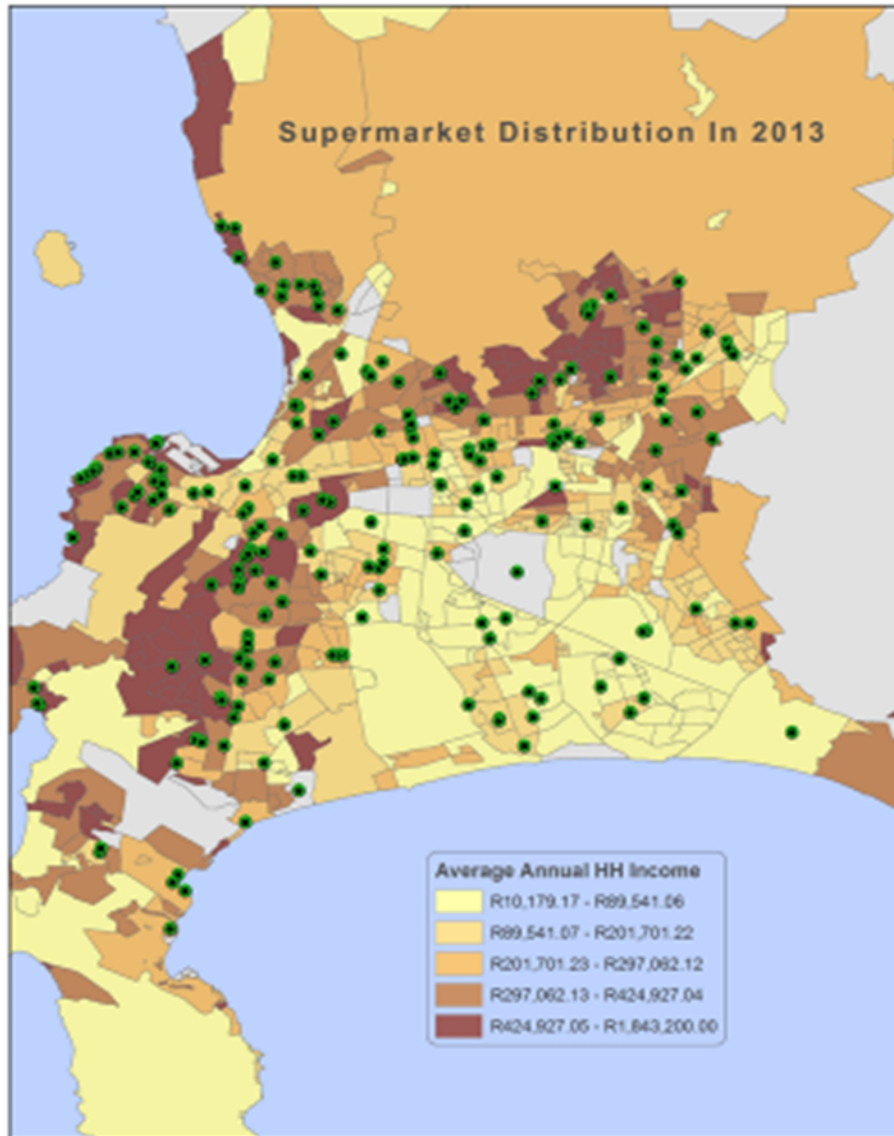
# INTRODUCTION

- **Informal economy** - “all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements.” ([ILO, 2012](#)).
- Informal sector - employment and production that takes place in unincorporated, small or unregistered enterprises ([Skinner & Haysom, 2016](#))
- In South Africa, the informal sector constitutes a small share of the total workforce, relative to other SSA countries ([ILO, 2013](#)).
- Informal enterprises contribute 5.2% of GDP ([Stats SA, 2015](#)).
- 4th quarter 2017 Quarterly Labour Force Survey (QLFS) statistics, 2 808 000 South Africans work in the informal sector ([Stats SA, 2017:1](#)).
- Represents 17.4% of total employment in the country.

## Introduction (cont.....)

- Yet, like in most African countries, informal sector is generally seen as marginal, temporary & survivalist.
- Policy environment often hostile – ‘Operation clean sweep’ in Johannesburg -6000 inner city traders evicted, Business Licensing Bill
- [Potts \(2007\)](#) – informality a permanent feature of contemporary African cities.
- Increasing evidence of the role of informal sector in food security ([Skinner, 2016](#))
- [Petersen and Charman \(2017\)](#): an eight-township small-area census (2010 to 2013) in Cape Town, Johannesburg, Ekurhuleni and Durban -10 049 micro-enterprises, 39% of the total (3966) were trading in food.
- Food - the basis for much township informal business
- Informal enterprises makes food affordable and locally accessible - create employment.

# Supermarket revolution – less expansion in low income areas.....



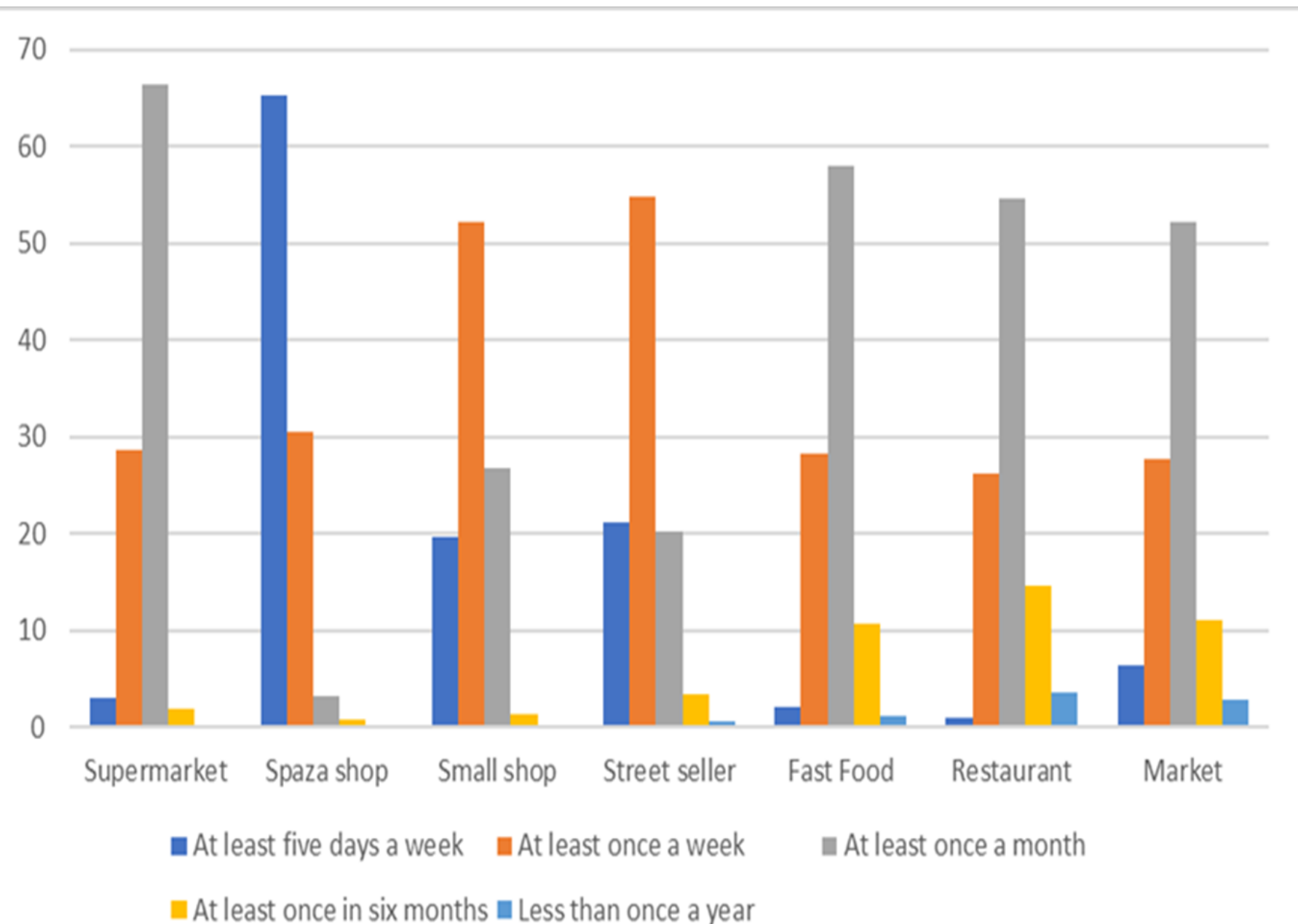
Source: Battersby, 2017; Battersby & Peyton, 2014

# Informal sector still important in low income areas



**Hamied Bhawoodien: GoGo Fruit**

# Household food sources in Cape Town



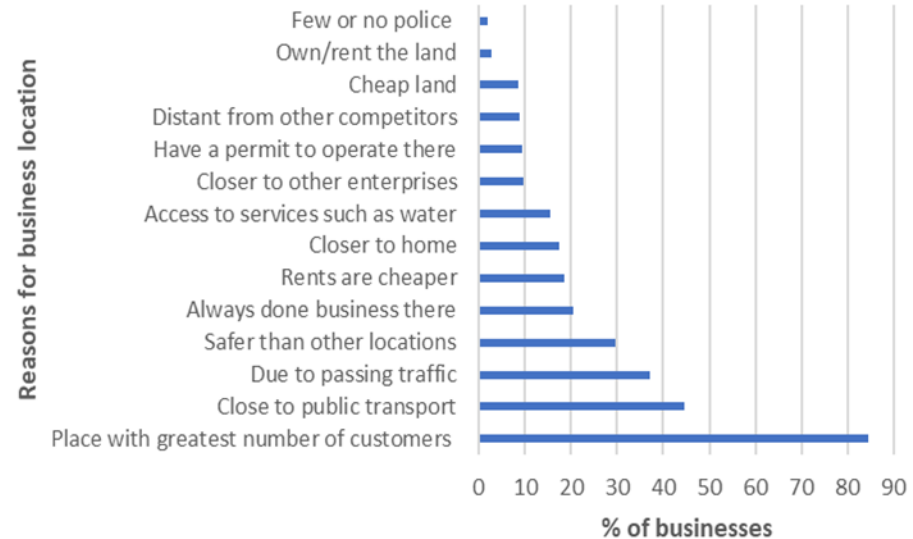
# Examples of the informal food sector in Cape Town



**Hamied Bhawoodien: GoGo Fruit**

# Cape Town Survey, 2017

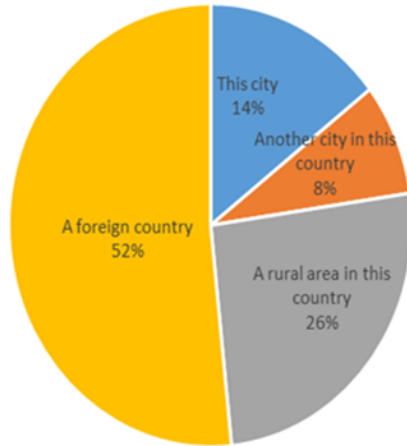
- 1018 food vendors
- Not registered for tax or VAT
- Employs 5 workers or less
- Geographically diverse areas to capture wide range of food vendors: CBD, formal residential, informal residential, mixed, industrial areas



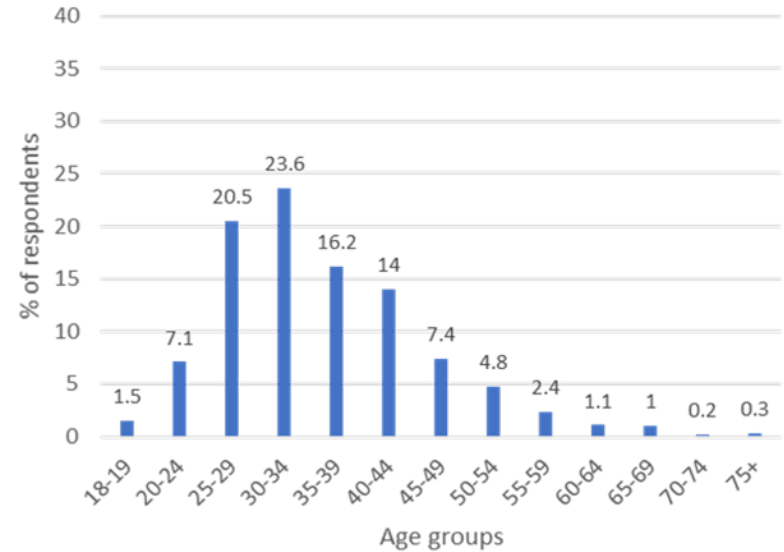


# Sample characteristics

Where entrepreneur was born

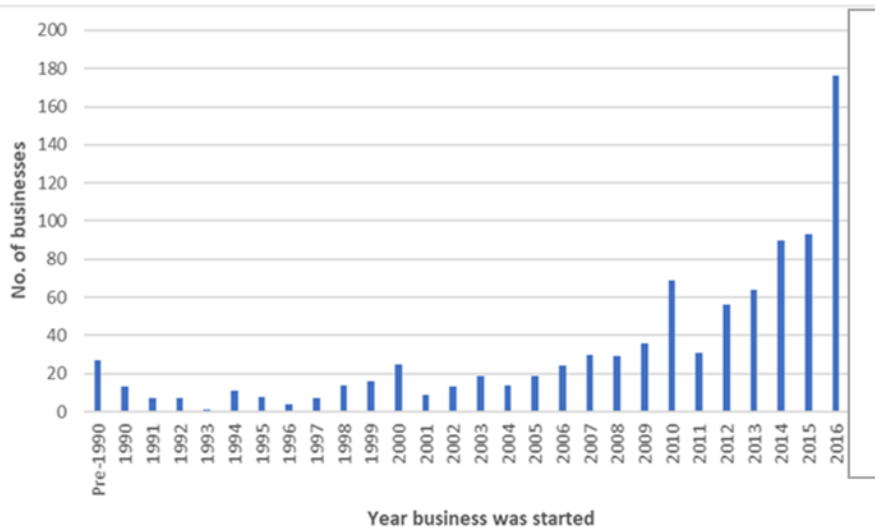


Age of entrepreneurs



Male (53.5%) Female (46.5%)

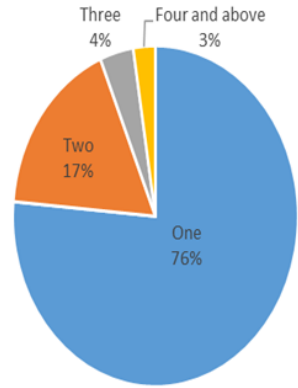
Year in which business was started



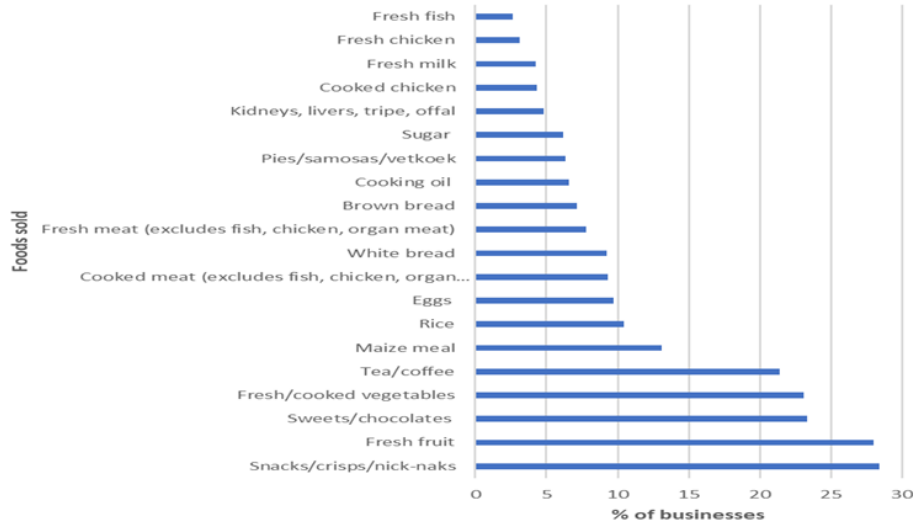
Sources of start-up capital	N	%
Personal savings	707	87.4
Loan from relatives in the country	53	6.6
Gift from relatives	21	2.6
Money from relatives in another country	14	1.7
Usurers (money lenders)	14	1.7
Loan from religious institutions	8	1.0
Loan from bank	3	0.4
Business credit (goods on terms)	3	0.4
Loan from micro-finance institutions	1	0.1
Loan from government agency	1	0.1

# Some key findings

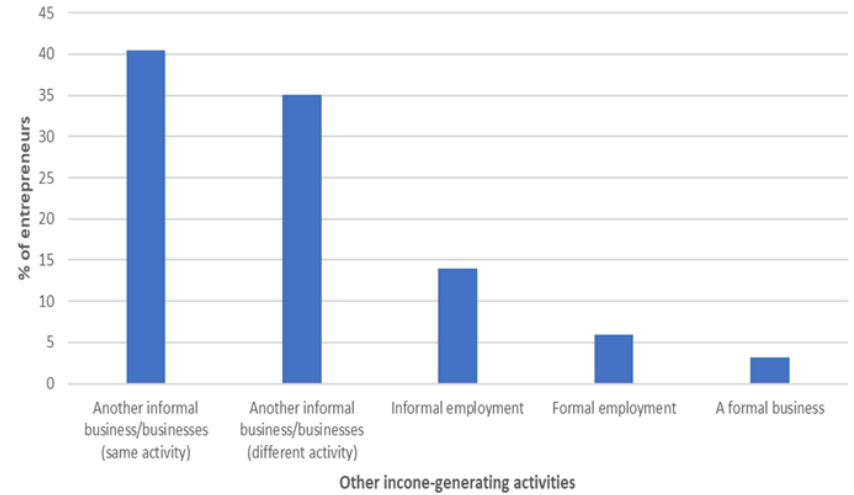
## No. of businesses per entrepreneur



## Foods sold



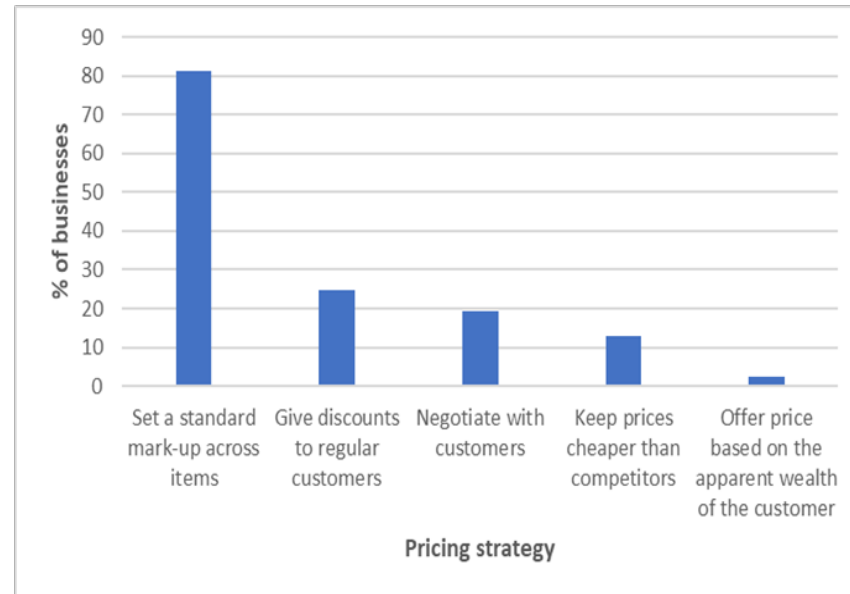
## Alternative income-generating activities



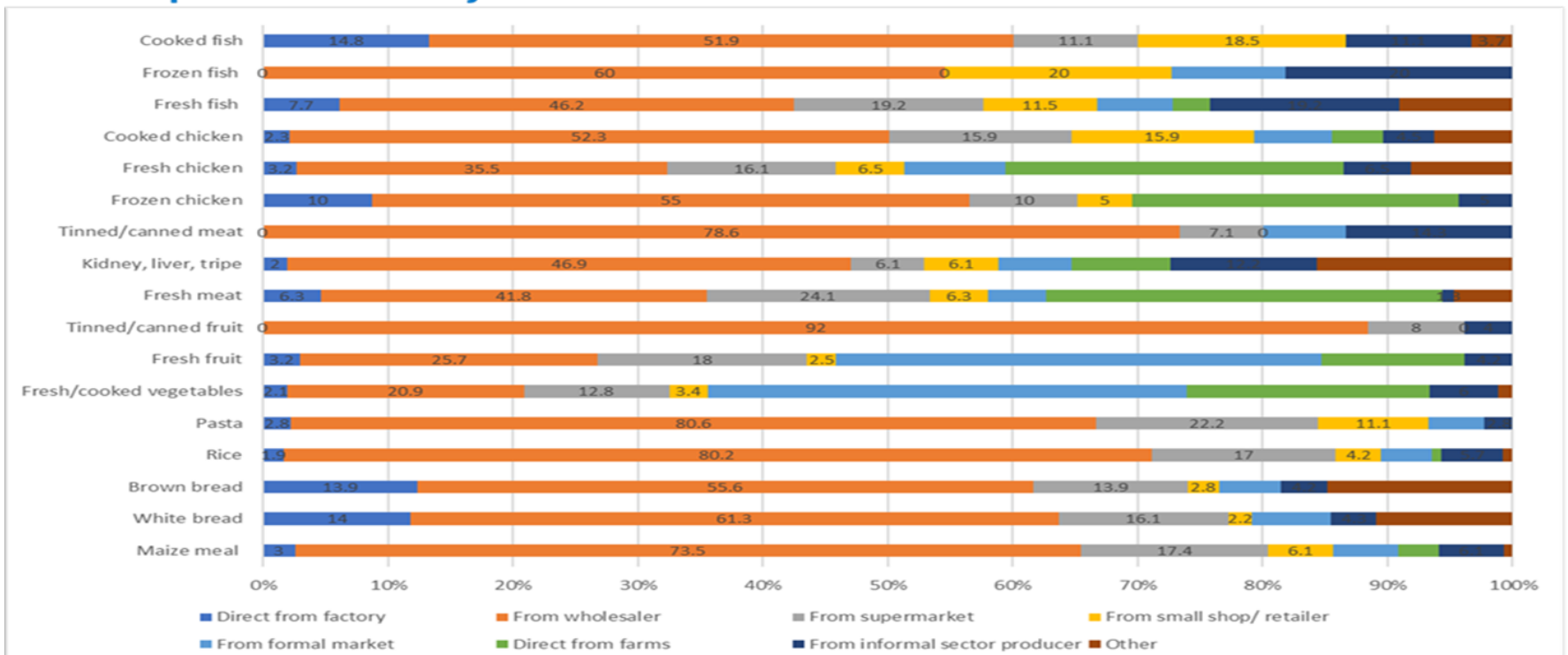
## Major business expenditure

Expenditure	N	%	Mean (Rand)
Cost of food sold at this business	900	88.8	9704
Rental fees	203	20.0	2495
Utilities	153	15.1	1314
Employment costs and expenses	129	12.7	4732
Business taxes, licenses and permits	51	5.0	455
Telecommunications	36	3.6	359
Insurance	15	1.5	528
Financial services	3	0.3	1100

Major business strategies	N	%
I extend my hours of operation	625	61.7
I open my business only during the times of the day when I have more customers	405	40.0
I offer credit for customers	360	35.5
I purchase stock in bulk myself	346	34.2
I negotiate prices with my suppliers	163	16.1
I look for cheapest prices of goods by asking other entrepreneurs	89	8.8
I use mobile phones to take orders from customers	86	8.5
I sell goods more cheaply than my competitors	83	8.2
I purchase stock in bulk together with others	75	7.4
I keep records of my business accounts	74	7.3
I sleep on my business premises	61	6.0
I look for cheapest prices of goods by consulting the media	50	4.9
I look for cheapest prices of goods by calling suppliers	56	5.5
I use mobile phones to receive payments from customers	40	3.9



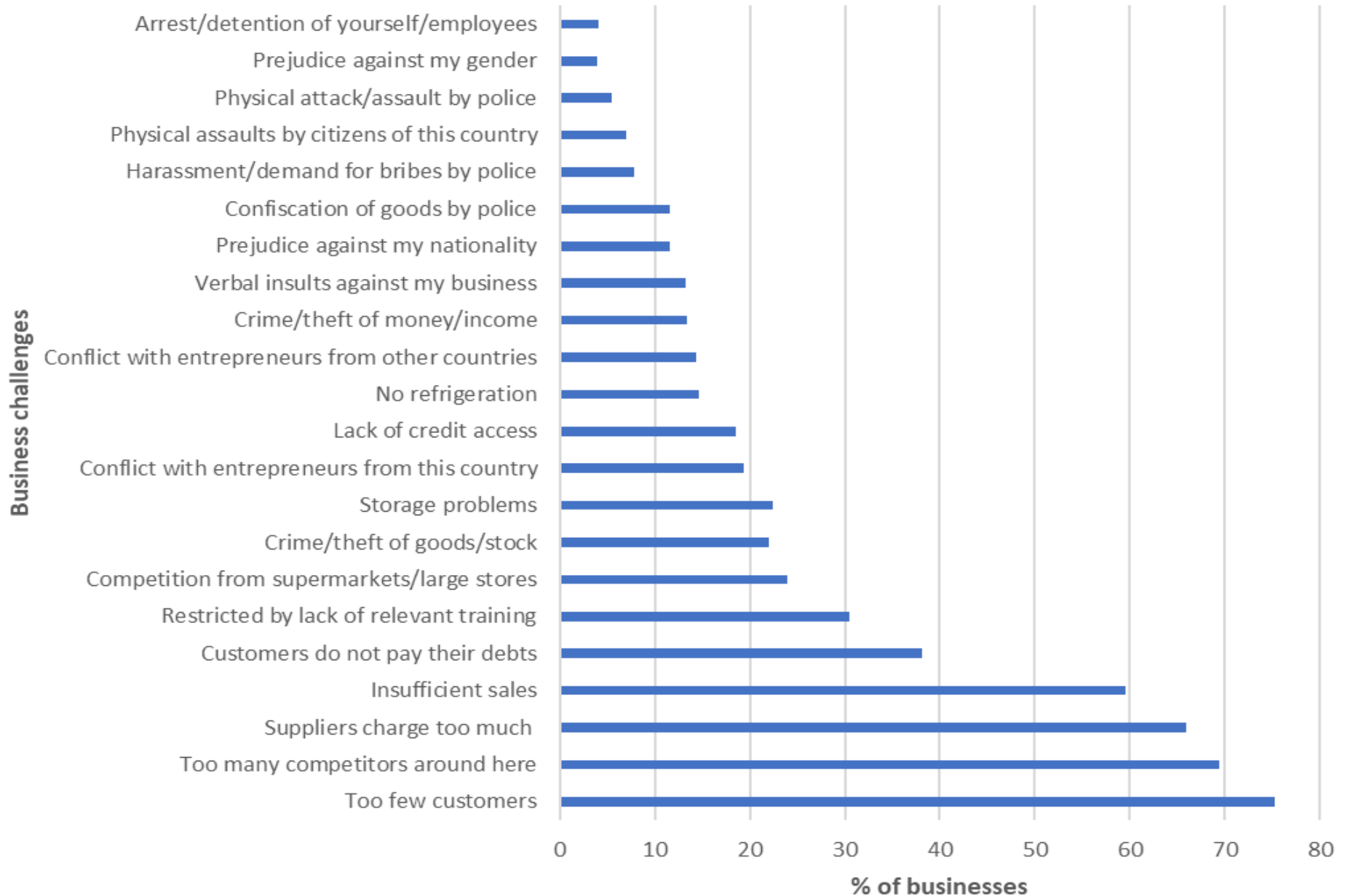
## Complementarity with the formal food sector



Motivation for starting business	%
I wanted to give my family greater financial security	74.1
I needed money just to survive	74.1
I was employed and unable to find a job	52.1
I have always wanted to run my own business	51.8
I wanted to make more money to send to my family in my home area	46.5
I have the right personality to run my own business	54.4
I wanted more control over my own time/wanted to be my own boss	50.3



# Business challenges



# Conclusion

- The informal food sector is alive and contributes to the Cape Town's food system.
- The expansion of supermarkets in the city is not necessarily eliminating small-scale, less formal types of food retail.
- Complementarity between the informal with the formal
- However, informal food sector entrepreneurs face numerous obstacles.
- Policy environment often indifferent and, at times, actively hostile.
- Further research needed to identify best practice policies to support the small food vendor sector and maximize its income-generating and employment-creation potential